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SUBJECT: IMPROVING FINANCE AND GOVERNANCE AT UNODC

REF: STATE 92709

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SUMMARY  
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1. (U) The open ended Finance and Governance Working Group (FinGov) of the UNODC will have its first meeting on October 7. This meeting is intended for member states to submit their position papers, which the chair (Namibia and Sweden) will use for developing a single paper that will be circulated for member states comments before the second meeting a few weeks later. At the request of member states and to facilitate the FinGov process, UNODC has agreed to provide a list of its core activities at the end of September. In recent weeks, Counselor met with other mission counterparts to raise Reftel points and to hear their views concerning FinGov. Several themes emerged from these discussions.

2. (U) The EU priority is governance, but the G-77's is finance. There is a unanimous desire among our interlocutors for more frequent communication from the Secretariat, and among the Secretariat, donor and recipient countries on management, budget, and program issues. However, there are divergent views as to how this is going to be achieved. Some (G-77 plus China) are adamant on a mechanism that can make formal decisions. Others (EU) are proposing an advisory group on program and budget, similar to that in the CTBTO. Still others (Mexico, U.S.) want an informal mechanism, such as an extension of the open-ended FinGov WG.

3. (U) On the budget side, the G-77 plus China Group has requested the UNODC to identify its core functions to help determine what it would need for its regular budget. In any case, it advocates a greater percentage allocation of the UN budget for the UNODC, without increasing the overall UN budget. Apparently, the G-77 position paper in circulation (transmitted to Department on September 12) may not have 100% G-77 support. A number of key players (Japan, Canada) have not yet developed their positions.

4. (U) Based on these discussions, Mission recommends that Washington take the following into consideration in drafting the USG paper for submission at the October 7 meeting:

(i) Consider other UN agencies that can be models of good governance and financing;

(ii) Consider the options for an informal governing structure, which can include one or more of the following: merely frequent consultations between UNODC and all member states, a few days of intersessional meetings (without additional costs) on FinGov issues, or a separate day at the CND and the Crime Commission to discuss FinGov alone;

(iii) Alternatively, if others insist, we can consider a phased approach - trying informal consultations first to see how they work, and then move to a more formal mechanism;

(iv) Develop USG priorities in the UN system, which will allow us to decide whether we can support the G-77 call for the UNODC to get a

greater percentage allocation from the UN budget;

(v) Review UNGA resolutions 41/213, 42/211, and 45/248 B, to rebut G-77 claims (in its position paper) that inclusion of our budget mantra ("subject to extra-budgetary resources" etc.) violates these resolutions. END SUMMARY.

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GOVERNANCE: G-77 PLUS CHINA  
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15. (SBU) The Pakistan chair of the G-77 plus China group (G-77), Usman Jadoon, is circulating a position paper for comments and reaction from non G-77 missions. (Note: Mexico told us on September 26 that there was not yet GRULAC consensus to support this paper. End Note.) Counselor and USDEL met Jadoon on September 18. He explained that G-77 is aware of the realities of member states' constraints, and therefore has crafted positions with a great deal of flexibility. Although the G-77's preference is to have the WG tackle first the finance, and then governance, he seemed open to our proposal to reverse the order.

16. (U) The G-77 is the most vocal group on establishing regular dialogue between the Secretariat and member states in order to improve governance. Jadoon emphasized that he worked hard to build G-77 consensus on positions that are more flexible than some more extreme G-77 members advocated. For example, he pointed out that they would be willing to consider different options for a forum for dialogue as long as the forum has "some formal structure" that will allow it to make decisions.

17. (U) According to Jadoon, G-77 believes that an informal forum will serve no purpose other than being a talk shop. He advocated using the inter-sessional meetings for such purposes, noting that the inter-sessional meetings took a decision on UN.GIFT, which was then endorsed by the CCPCJ at its reconvened session. He argued that the inter-sessionals would incur no additional cost, because they can utilize the unused three days of the annual CND, which budgets eight days but uses only five.

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GOVERNANCE: EU  
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18. (U) Counselor and USDEL met with Germany and Sweden on September 22. EU presidency France has tasked Germany to develop the EU position on this working group. Sweden co-chairs the FinGov WG. The EU focus is on governance rather than on finance. German Mission's Marcus Bleinroth, who covers governance and budget issues for all UN agencies in Vienna, considered the UNODC to have less governance structure than all other UN bodies. On behalf of the EU, he proposes an on open-ended advisory group, modeled on the CTBTO, for "informal, limited, but substantive" discussions. It will be a limited body comprising a mixture of experts from capitals and missions, will have a chairman who serves two to three years, will meet for three one-week sessions each year, and will report to the member states after each session.

19. (SBU) Counselor commented that several features of this proposal might not be acceptable to all member states. It is a new body, it is rather formal (U.S. objections), and it is limited (G-77 will object). Counselor suggested alternatives such as more informal frequent consultations and extending the FinGov Working Group. We also discussed using an intersessional meeting day and/or an annual Commission day just on finance and governance. All agreed that we should get a better understanding of the UNODC budget cycle and how it interfaces with New York's. In the meantime, EU will continue its consultations with other missions. In a brief conversation on September 29, EU chair French Mission's Sylvan Guetaz indicate to Counselor that there was no EU consensus on the structure Germany proposed.

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GOVERNANCE: CANADA, JAPAN, RUSSIA  
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10. (U) Canadian Mission's David Nelson commented to Counselor regarding G-77's frustration on the perceived lack of communication between Costa and the G-77 countries, and their proposal to call for

more intersessional meetings. He also noted that GRULAC might not be in agreement with the intersessional issue. Nelson did not specify any Canadian position on governance, except to say that Canada could not accept combining the two commissions or the two funds. Japanese Mission's Katsu Ishikawa and Hideo Eno told Counselor that Ishikawa was preparing comments to Tokyo on the G-77 position paper, and would advise us of Tokyo's reactions. They had not yet been approached by the EU. (Note: Former Japanese DCM Ambassador Sumi handled budget issues for all agencies in Vienna. His successor arrives October 7, and is unlikely to attend the FinGov meeting that day. End Note.) Russian Mission's Senior Counselor Alexey Dronov said his colleagues were still waiting to hear from Moscow. However, Japan's Ishikawa told us that Russia favors a regular consultation forum.

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GOVERNANCE: MEXICO  
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¶11. (SBU) GRULAC chair Mexican DCM Ulises Canchola-Gutierrez said that GRULAC would have its coordination meeting on the G-77 paper on September 26, which his colleague Guillaume Michel will attend. At a lunch reception on September 26, Canchola told Counselor that he had not yet heard about outcome of the GRULAC meeting. However, he said that GRULAC, as of that point, had no consensus to support the G-77 position. In general, Mexico wants more communication between UNODC and all member states, but does not want a new body created to facilitate such communication. Later in the afternoon, Michel told us that the morning GRULAC meeting focused only on UNGASS issues. He promised to let us know when GRULAC reaches a position on FinGov issues.

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FINANCE: G-77 plus China  
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¶12. (U) This is the higher priority issue for the G-77 plus China Group. The Group has requested, and the UNODC has agreed, to provide a list of its core activities which the G-77 believes that member states should use to determine the amount of regular budget it would need. Egypt, an active member of the G-77, defined "core activities" as the basic management and administrative expenses essential to UNODC. Jadoon clarified that such activities should be funded by a "core" budget, i.e., regular budget. While the G-77 paper categorically rejects language such as "subject to extra-budgetary resources" and "within existing resources," Jadoon was at pains to emphasize that his group, aware of American (and other) finance sensitivities on UN assessment, is proposing to seek for UNODC only a higher percentage allocation of the existing UN budget pie, not a higher amount that will increase the pie (and consequently the assessment).

¶13. (U) According to Jadoon, UNODC currently receives an allocation of about 1% of the UN budget (amounting to \$34 million in 2006-2007, and \$37 million in the 2008-2009 biennium). In addition to having UNODC define "core" activities to determine the appropriate amount for the "core" or regular, budget, G-77 is willing to consider voluntary funding (such as through pledging conference) for the General Purpose Fund, but rejects any kind of voluntary funding for core activities. Counselor told him of categorical USG opposition to any kind of voluntary indicative scale of contributions for funding the regular or other budget.

¶14. (U) Counselor and USDEL stressed to Jadoon that the USG earmarks its voluntary contributions to UNODC because the funds come from different budget line items with very specific congressionally-prescribed constraints. Therefore, these funds can be used only for the congressionally-mandated purposes, and cannot be shifted to the General Purpose Fund (GPF). We warned him that any disregard of the realities of the U.S. budget process could negatively affect USG voluntary contributions to the UNODC, without increasing USG contribution to the GPF. Jadoon suggested that a thematic approach to voluntary contributions, i.e., having donors contribute to a thematic program (e.g., demand reduction), rather than to specific projects (e.g., demand reduction in country x), could be a compromise solution. (Note: UNODC's Terrorism Prevention Branch has presented such a thematic program approach to much acclaim. UNODC Operations Division is also in the process of

organizing its projects into thematic programs. End Note.)

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FINANCE: EU  
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¶15. (U) According to Germany, EU believed that a thematic program approach to increase transparency, accountability, and reporting would improve financing. Subsequently Sweden's Jorgen Frotzler explained to Counselor that the EU believed UNODC could expand its donor base by more reporting, more accountability, and more transparency, and the thematic program approach would be one way to do it. (Note: Sweden co-chairs the FinGov WG with Namibia. Although Germany is the overall coordinator on FinGov, Sweden is understandably active on these issues. End Note.) Frotzler said that the EU would have a coordination meeting on the finance issue alone next Tuesday, September 30.

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FINANCE: CANADA  
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¶16. (U) According to Canadian Mission's David Nelson, Canada gave only \$600,000 to the General Purpose Fund (GPF). He considered the 1% share of the UN budget that UNODC receives from New York for its regular budget as too low. However, he said that the UNODC had not really explained its needs well enough for him to go back to Ottawa to ask for more than 1% allocation for UNODC. He believes Ottawa can live with allocating a fixed percentage of voluntary contributions to the UNODC, and with a pledging conference. In principle, Canada is against PBIs (that will have to go to the 5th Committee), but there may be exceptions. In any case, his crime and drug experts at UNODC meetings have complained about the huge amount of time spent on debating language such as "subject to extra-budgetary resources." Therefore, he would like to find a definitive solution to this issue.

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FINANCE: MEXICO  
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¶17. (SBU) In our conversation on September 26, Canchola told us that Mexico shares common ground with the U.S. on the financing issue. Mexico wants the UNODC to become an efficient, effective, and transparent body in which member states have clear ownership. Mexico also maintains a ZNG position on the budgets for UN bodies, including UNODC, IAEA, and the CTBTO in Vienna. He emphasized that Mexico's current application to join the Geneva Group is a clear signal of its serious interest in the budget and management issues in the UN system.

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COMMENT  
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¶18. (SBU) The October 7 meeting will be an information-gathering meeting for the chair of the Working Group. There will be time after that to refine USG positions. Nevertheless, we may find it difficult to hold our budget mantra against the persistent attacks by G-77 and the weakening resolve of some allies. If we can define our own funding priorities in the UN system, we may find it possible to support the G-77 proposal to ask New York to allocate a greater slice of the UN budget pie to UNODC, without increasing the size of the pie itself. In any case, such support may or may not persuade New York, but at least we will have made a goodwill gesture that could minimize the time and energy we have to spend arguing this issue at UNODC meetings. End Comment.

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